Remarks

In the Office Action dated April 7, 2006, the Examiner has rejected all pending claims (1-72) under 35 U.S.C. §103(a) as being unpatentable over U.S. Patent Publication No. 2002/0178104 ("Hausman") in view of U.S. Patent Publication No. 2002/0016762 ("Feilbogen"). The undersigned has reviewed the April 7, 2006 Office Action and respectfully traverses all rejections for the reasons set forth herein.

The undersigned's Remarks are preceded by related comments of the Examiner, presented in small bold-faced type font.

Claim Rejections - 35 USC § 103

Claims 1-72 are rejected under 35 U.S.C. 103(a) as being unpatentable over Hausman (US 2002/0178104) in view of Feilbogen et al. (US 2002/0016762).

Applicant respectfully traverses the Examiner's rejection. As the MPEP recites:

> *To establish a prima facie case of obviousness, three basic criteria must be met. First, there must be some suggestion or motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art, to modify the reference or to combine reference teachings. Second, there must be a reasonable expectation of success. Finally, the prior art reference (or references when combined) must teach or suggest all the claim limitations. The teaching or suggestion to make the claimed combination and the reasonable expectation of success must both be found in the prior art, and not based on applicant's disclosure. In re Vaeck, 947 F.2d 488, 20 USPQ2d 1438 (Fed. Cir. 1991).*

MPEP § 2142

Applicant respectfully submits that the Examiner has not established a *prima facie* case of obviousness because (a) there is no motivation to modify or combine the reference teachings

and (b) even if the references were combined, none of the prior art references, alone or in combination, describe or suggest all of the claimed limitations of the present invention.

None of the prior art references describe or suggest all of the claimed limitations of the present invention, even if the references were combined:

The Examiner has rejected the independent claims of the application, claims 1, 29, 48 and 69 over Hausman in view of Feilbogen. Neither of these references, alone or in combination, describe or suggest all of the claimed limitations of at least these claims.

> **Re claims 1, 29, 48, and 69, Hausman teaches a system for facilitating a trade in a non-listed security (para. 0002-0003; Hausman discloses electronic trading of interests using reserves and a price change feature. A portion of total desired trade quantity may be held in reserve, and thereby not disclosed in the relevant market. The reserves trades corresponds to non-listed security since the trades are reserved and not listed on the current market), comprising:**

Applicant respectfully notes that a "non-listed" security is not the same as a "reserve" interest. As Hausman defines the term, a "reserve" is a portion of a trade that a trader withholds until the disclosed portion of such trade is executed, so that the disclosure to the market of the entire size of the trade order cannot affect the market by skewing the price (Hausman, para. 3). The trader or investor ordering the trade determines which portion of the trade order, if any, will be a reserve. Therefore, trading in reserves is equivalent to trading in a stepwise fashion, by dividing an entire trade into two or more parts which will be executed one at a time.

An undisclosed part of a trade, a reserve, is not the equivalent to a non-listed security. Whether a security is listed or non-listed, as an initial matter, is determined by the relevant exchange's requirements and/or guidelines. Moreover, once such requirements are met for a

particular security, it often then remains the issuing company's choice whether or not to have the security listed on that exchange.

Therefore, a non-listed security is not equivalent to a reserve interest. Hausman teaches a system for trading reserves - including reserves of possibly listed securities -, but Hausman does not teach or discuss how to trade non-listed securities. As discussed by Applicant, systems that allow for trading of listed securities are known in the art:

> Typically, exchanges that deal in listed securities, such as the NYSE, have systems and procedures in place for disseminating the bid/offer price established by the specialist, for receiving orders to buy/sell a particular security, for executing an order to buy/sell a security and for reporting all transactions in a security.

(Applicant's disclosure, para. 3, lines 13-18)

and:

> Unlike the trading of exchange-listed securities, the process by which non-listed derivatives are traded is far from automated.

(Applicant's disclosure, para. 4, lines 1-3)

Trading of non-listed securities entails a number of steps, as discussed by Applicant in paragraphs 4-7 of the disclosure, which differ from those involved in trading of listed securities. As a result, Applicant's systems and methods for trading non-listed securities comprise elements that are designed to carry out the tasks that are characteristic to trading of non-listed securities, for example, as discussed below for the pricing engine, the automatic market maker and the type of hedging.

Applicant therefore respectfully disagrees with the Examiner that Hausman teaches a system for facilitating trades or forming a market in non-listed securites, as required by Applicant's claims.

> **a pricing engine for providing price quotes in the non-listed security, said pricing engine in communication with said past trades database, said pricing engine receiving as input financial information (para. 0007 and 0040; Hausman discloses a price change feature in electronic trading over a network or network of many types of interests involving reserves);**
>
> **wherein when a client requests a price quote for the non-listed security, said pricing engine provides said price quote based on said past trades in said past trades database and said financial information (para. 0009 and 0040; Hausman discloses the order may be stored within a database system to which other traders have authorized access, so that such other traders may review the order by accessing the database);**

Applicant respectfully disagrees with the Examiner that Hausman teaches a pricing engine for providing price quotes in a non-listed security for the reasons discussed above.

In addition to the fact that Hausman does not teach trading of non-listed securities, as stated in Applicant's disclosure:

> Because no ready markets exist for OTC products and the financial institution itself is typically the counter-party for the client's requested transaction, the client's requested transaction is not confirmed until the financial institution has hedged its position that would result from the transaction.

(Applicant's disclosure, para. 39, lines 1-6)

Applicant adds:

> In addition to the economic and financial data and historical pricing data, pricing engine 9 receives the firm's portfolio position information from a risk management system 51 operated by the financial institution that has relevance to the particular OTC product, including portfolio position information regarding the security underlying the particular OTC product.

(Applicant's disclosure, para. 33, page 4, lines 16-21)

This information is part of the "financial information" or "financial data" that is received by the pricing engine, as recited in claims 1, 48 or 69. The financial information/data which is received by Applicant's pricing engine is described more extensively in page 4, para. 33, lines 1-

23 of the disclosure. Applicant respectfully submits that Hausman does not teach a pricing engine receiving such information/data, as claimed by Applicant.

> **an automatic market making engine for providing price quotes in the non-listed security to a client, said automatic market making engine being in communication with said past trades database and receiving financial information as input, said automatic market making engine continuously updating said price quotes based on changes to said financial information (para. 0040-0043; figs. 1-3);**
>
> **client requests a trade in said non-listed security based on said price provided by said automatic market making engine, said trade is stored in said past trades database (para. 0056-0062 and 0036; figs. 3-4).**

Applicant's automatic market making engine carries out risk analysis and hedging determinations:

> AMM engine 29 initially breaks down the OTC derivative product, that is the subject of the price request, into its component risk factors. These risk factors may include, by way of non-limiting example, an equity risk factor that relates to the volatility of the equity underlying the particular OTC derivative, an interest rate risk factor and a currency risk factor. AMM engine 29 then evaluates each of the component risk factors with respect to its contribution to the overall risk position of the financial institution. AMM engine 29 also evaluates various risk factors associated with hedging the particular OTC derivative using, by way of non-limiting example, listed securities, derivatives in the same underlying, and/or derivatives in similar but different underlyings (where correlation methods are used for pricing implications resulting from similar underlyings). These risk factors may include, by way of non-limiting example, the currency risk, interest rate risk and portfolio risk associated with the particular OTC derivative.

(Applicant's disclosure, para. 42, lines 3-22)

and:

> In addition to providing real-time dealing pricing, AMM engine 29 automatically determines the transactions that are optimally (i.e., least cost, most effective) necessary for the financial institution to hedge a client transaction in the OTC derivative. If the client places an order for the particular OTC derivative product, AMM engine 29 then automatically forwards such optimized hedging transactions to hedging module 25 that then interfaces with the financial markets to execute such hedging transactions.

(Applicant's disclosure, para. 44, lines 1-9)

Applicant respectfully submits that Hausman does not teach an automatic market making engine as claimed by Applicant.

> **However, Hausman does not explicitly teach a hedging module for performing hedging transactions. On the other hand, Feilbogen discloses a hedging module for performing hedging transactions (para. 0044; fig. 2 (element 15)). Feilbogen discloses the hedger module transfers public price data streams to update the current foreign price of the goods. He also discloses individual transaction hedging is simply hedging on a transaction-per-transaction basis. Thus, it would have been obvious to one of ordinary skill in the art to enable an electronic trading system to include a hedging module for performing hedging transactions to update the current foreign price of the goods as discloses in Feilbogen.**

Due to the characteristics of trading of non-listed securities, hedging of these securities inherently encompasses intricacies that differ from those involved in hedging of a foreign exchange price, a far more simple procedure. Feilbogen's foreign exchange hedger "transfers public price data streams to update the current foreign price of the goods" (Feilbogen, para. 44, lines 6-8), in other words, it adjusts the price of the goods based on the current exchange rate of the currency. Applicant's hedger module, on the other hand, executes the transactions for hedging a non-listed derivative position, which derive from the evaluation of risk factors that "may include, by way of non-limiting example, the currency risk, interest rate risk and portfolio risk associated with the particular OTC derivative" (Applicant's disclosure, para. 42, lines 19-22).

Therefore, for at least the reason that Hausman in view of Feilbogen does not teach a hedging module for performing hedging of trades with non-listed securities, Hausman in view of Feilbogen does not teach the hedging module claimed by Applicant.

For at least the foregoing reasons, Applicant respectfully submits that Hausman in view of Feilbogen does not render obvious claims 1, 29, 48 or 69.

Pending claims 2-28, 30-47, 49-69 and 70-72 depend directly or indirectly from claims 1, 29, 48 or 69. For at least this reason, these claims are not rendered obvious by Hausman in view of Feilbogen either. Applicant respectfully submits that the Examiner's bases to reject each one of these dependent claims will not be addressed at this time.

There is no motivation to modify or combine the reference teachings:

The MPEP states:

> *There are three possible sources for a motivation to combine references: the nature of the problem to be solved, the teachings of the prior art, and the knowledge of persons of ordinary skill in the arts." In re Rouffet, 149 F.3d 1350, 1357, 47 U.S.P.Q.2d 1453, 1457-58 (Fed. Cir. 1998).*

MPEP § 2143.01, I

None of these three possible sources have been demonstrated in the Office Action dated April 7, 2006. Neither Hausman nor Feilbogen provide a suggestion or motivation to combine each other. The only grounds offered by the Examiner for combining the cited references is "it would have been obvious to one of ordinary skill in the art to enable an electronic trading system to include a hedging module for performing hedging transactions to update the current foreign price of the goods as discloses in Feilbogen" (present Office Action, page 4). A blanket statement concerning "one with ordinary skill in the art" is a highly subjective and unsubstantiated statement that does not meet the Examiner's obligation to succinctly establish a *prima facie* case of obviousness. The Federal Circuit has held that it is inappropriate to rely solely on 'common sense' or 'basic knowledge' in the art as the principal evidentiary basis for a

rejection, without evidentiary support in the record. MPEP § 2144.03(B) (citing In re Zurko, 258 F.3d 1379, 1386 (Fed. Cir. 2002) ("holding that general conclusions concerning what is 'basic knowledge' or 'common sense' to one of ordinary skill in the art without specific factual findings and some concrete evidence in the record to support these findings will not support an obviousness rejection.")).

Thus, Applicant respectfully submits that it would not have been obvious to combine Hausman – a price change system for electronic trading of reserves-- with Feilbogen – a hedging engine processor for foreign exchange price procurement. The undersigned respectfully submits that a conclusion of the "obviousness" should be supported by some objective evidence. However, the Examiner has provided no objective support for his conclusion.

Where the Examiner's combination requires that the cited references be modified to support the Examiner's claims of obviousness, the Examiner's burden is greater and there must be some objective reason to combine the teachings of the references. See MPEP § 2143.01.

> *A statement that modifications of the prior art to meet the claimed invention would have been "'well within the ordinary skill of the art at the time the claimed invention was made'" because the references relied upon teach that all aspects of the claimed invention were individually known in the art is not sufficient to establish a prima facie case of obviousness without some objective reason to combine the teachings of the references. Ex parte Levengood, 28 USPQ2d 1300 (Bd. Pat. App. & Inter. 1993); see also In re Kotzab, 217 F.3d 1365, 1371, 55 USPQ2d 1313, 1318 (Fed. Cir. 2000) (Court reversed obviousness rejection involving technologically simple concept because there was no finding as to the principle or specific understanding within the knowledge of a skilled artisan that would have motivated the skilled artisan to make the claimed invention); Al-Site Corp. v. VSI Int'l Inc., 174 F.3d 1308, 50 USPQ2d 1161 (Fed. Cir. 1999) (The level of skill in the art cannot be relied upon to provide the suggestion to combine references.).*

MPEP § 2143.01, IV

The undersigned respectfully submits that the Examiner has not demonstrated any of the three possible sources for a motivation to modify the Hausman reference with Feilbogen, whether in the nature of the problem to be solved, the teachings of the prior art, or the knowledge of persons of ordinary skill in the arts.

The undersigned submits that this appears to be a case in which the Examiner's conclusion of "obviousness" is merely based on an application of hindsight reasoning gained by the Examiner's review of the present application. Such hindsight reasoning is impermissible.

As the MPEP notes:

> *The tendency to resort to "hindsight" based upon applicant's disclosure is often difficult to avoid due to the very nature of the examination process. However, impermissible hindsight must be avoided and the legal conclusion must be reached on the basis of the facts gleaned from the prior art.*

MPEP § 2142

> *When applying 35 U.S.C. 103, the following tenets of patent law must be adhered to:(...)*
> *(C) The references must be viewed without the benefit of impermissible hindsight vision afforded by the claimed invention (...) Hodosh v. Block Drug Co., Inc., 786 F.2d 1136, 1143 n.5, 229 USPQ 182, 187 n.5 (Fed. Cir. 1986)*

MPEP § 2141, II

And:

> *The initial burden is on the examiner to provide some suggestion of the desirability of doing what the inventor has done. "To support the conclusion that the claimed invention is directed to obvious subject matter, either the references must expressly or impliedly suggest the claimed invention or the examiner must present a convincing line of reasoning as to why the artisan would have found the claimed invention to have been obvious in light of the teachings of the references." Ex parte Clapp, 227 USPQ 972, 973 (Bd. Pat. App. & Inter. 1985).*

MPEP § 2142

The undersigned respectfully submits that a conclusion of the "obviousness" should be supported by some objective evidence. However, the Examiner has provided no objective

support for his conclusion. The undersigned submits that this appears to be a case in which the Examiner's conclusion of "obviousness" is merely based on an application of hindsight reasoning gained by the Examiner's review of the present application. Such hindsight reasoning is impermissible. As the MPEP notes:

> *The tendency to resort to "hindsight" based upon applicant's disclosure is often difficult to avoid due to the very nature of the examination process. However, impermissible hindsight must be avoided and the legal conclusion must be reached on the basis of the facts gleaned from the prior art.*

MPEP § 2142

Furthermore, the MPEP states:

> *The teaching or suggestion to make the claimed combination and the reasonable expectation of success must both be found in the prior art, not in applicant's disclosure. In re Vaeck, 947 F.2d 488, 20 USPQ2d 1438 (Fed. Cir. 1991).*

MPEP § 2143

Thus, the Examiner's conclusion that it would have been obvious to one of ordinary skill in the art is unsupported by the cited Hausman and Feilbogen references. In fact, the undersigned respectfully suggests that the Examiner could not find such motivation because the cited references are not directed to the subject matter of the claimed invention.

The undersigned respectfully requests that the Examiner either withdraw his rejection of the claims or provide some objective evidence of a teaching found in the prior art to make the combination made by the Examiner.

Closing

Claims 1-72 are now pending and believed to be in condition for allowance. Applicants respectfully request that all pending claims be allowed.

Please apply any credits or excess charges to our deposit account number 50-0521.

Respectfully submitted,

Date: 10/10/2006

Isabel Cantallops
Registration No. 57,710

Customer No. 27383
Telephone: (212) 895-1376